S. H. KRESS & COMPANY

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Kress Store
Elm Street, Dallas, Texas

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Annual Report - 1949

THE KRESS STORE, ELM STREET, DALLAS, TEXAS

It was shortly after the turn of the century that the first Kress store was opened in Dallas at 1208 Elm Street on April 13, 1901. This was the thirteenth store to be opened by the Company and was the second to be opened in the State of Texas.

In 1911 the store became inadequate to meet the requirements of a progressive and rapidly growing city, and to obtain additional space it was decided to remove to 1404 Elm Street, which is the site of our present store.

This store continued to serve the public until 1929, when the building was completely modernized and an additional selling floor added.

The continued growth of Dallas and the popularity of the Kress store again made additional space necessary and in 1940 adjoining property was acquired and the store enlarged. The present store is shown on the front cover of this report.

In November of 1947 the Company opened a second store, on West Jefferson Avenue, in the Oak Cliff section of Dallas.

S. H. KRESS & COMPANY

BUYING-EXECUTIVE OFFICES

114 FIFTH AVENUE, NEW YORK 11, N. Y.

OFFICERS

S. H. KRESS	Chairman of the Board
R. H. KRESS	Vice-Chairman of the Board
O. N. BIRKLAND	President
H. S. DAVIS	Vice-President
E. F. SIBBERT	Vice-President
C. G. TRAMMELL	Vice-President
C. H. OWEN	Secretary and General Counsel
C. M. FUNK	Treasurer
A. J. OEHLER	Controller
W. M. WEAVER	Assistant Treasurer
W. F. DEMPSEY	Assistant Secretary
A. F. GUERBER	Assistant Secretary

DIRECTORS

S. H. KRESS

R. H. KRESS	H. S. BOWERS	H. S. DAVIS
O. N. BIRKLAND	J. M. HANCOCK	O. V. W. HAWKINS

Transfer Agent: LAWYERS TRUST COMPANY, NEW YORK, N. Y.

Registrar: CHEMICAL BANK & TRUST COMPANY, NEW YORK, N. Y.

OPERATIONS AT A GLANCE

	Amount 1949	Cents Per Dollar 1949	1948
WE RECEIVED:			
From sales to customers	$163,923,437	99.6	99.6
From others for rental of property, interest, etc.	590,877	.4	.4
Total amount received	$164,514,314	100.0	100.0
WE PAID OUT:			
For merchandise, rent and operating expenses other than taxes, wages and salaries and employe benefits	$114,845,117	69.8	68.2
Taxes paid to Federal, state, county, and municipal governments (not including taxes paid by the Company for Social Security)	8,753,359	5.3	6.3
Wages and salaries and other employe benefits paid to:			
All employes other than officers $29,251,996		17.8	16.8
Officers 415,224		.3	.3
Retirement pension and group life insurance contributions 520,329		.3	.3
Social Security taxes 680,085		.4	.4
Total	$30,867,634	18.8	17.8
Dividends paid to stockholders	7,055,022	4.3	6.0
Total paid out	$161,521,132	98.2	98.3
BALANCE:			
Earnings retained in the business for future needs (principally for modernization of existing stores and construction of new stores)	2,993,182	1.8	1.7
Total paid out and retained in the business	$164,514,314	100.0	100.0

S. H. KRESS & COMPANY

January 31, 1950

To the Stockholders of S. H. Kress & Company:

THE ANNUAL REPORT of our Company for the year 1949, including comparative statements of earnings and financial condition, certified by Messrs. Price, Waterhouse & Co., independent public accountants appointed by the Board of Directors, is submitted herewith.

SALES

Sales for 1949 were $163,923,437, which was $1,443,180 or nine-tenths of one per cent less than in the preceding year. At the end of the year there were 256 stores in operation as compared with 250 at the end of 1948. The six new stores opened during the year added $2,012,274 or 1.2% to the sales for the year.

For the first four months of the year sales volume was substantially higher than in the corresponding months of the previous year but the decline in the subsequent months more than offset the cumulative gain for the early part of the year. Sales for December were the largest in the history of the Company.

Dollar volume was affected materially by the numerous price reductions which we were able to pass on to our customers as the result of the decline in manufacturers' prices. While the lower selling prices stimulated unit sales, the increase was not sufficient to offset the loss in dollar volume.

EARNINGS

Net earnings for the year, after deducting Federal income taxes, were $10,048,204 or $4.27 on each share of common stock outstanding as compared with $12,838,578 or $5.46 per share for the year 1948. The decrease in net earnings was due principally to higher operating expenses, particularly wages, and lower merchandise profit.

DIVIDENDS

During the year dividends totaling $3.00 per share were paid on the common stock, including two extra dividends totaling $1.00 per share.

WAGES AND SALARIES

Compensation paid to employes amounted to $29,667,220 or 4.3% more than last year. The increase in the amount of compensation was the result of the continued upward trend in general wage levels throughout the country.

The special Christmas payment was again made to all employes other than store managers and executives. The Length of Service Compensation Plan which was adopted in 1941 was liberalized and payments, on a graduated scale, were made to all employes other than managers and executives. These special payments amounted to a total of $507,358.

In 1949 the Company's contributions for the employes' Group Life Insurance and Retirement Pension Plans totaled $520,329. Employes' contributions toward the cost of these benefits amounted to $246,985.

Unemployment Insurance and Federal Old Age Benefit taxes paid for the benefit of employes amounted to $680,085 in 1949, or 13.7% more than last year.

From every dollar received by the Company from sales and other sources, 18.8¢ was paid out in 1949 for wages, salaries and other employe benefits as compared with 17.8¢ for 1948.

The amount paid to employes in the form of direct compensation and for other employe benefits constitutes the largest single item of expense and for that reason must be controlled rigidly, particularly in relation to sales. The management is making every effort to offset the effect of rising wage levels on consumer prices by improvement in operating procedures and by obtaining greater efficiency within our own organization and in our relations with manufacturers and suppliers.

OTHER OPERATING EXPENSES

Considerable progress is being made in the control of other operating expenses. The recent increases in freight rates are being offset to a large extent by improved shipping methods, carload shipments, and by the consolidation of small shipments. Economies are being effected in the cost of supplies, maintenance and other controllable expenses by the elimination of waste and by rigid control at the source.

TAXES

Federal income taxes for 1949 amounted to $6,100,000 compared with $7,800,000 for 1948. All direct taxes paid by the Company other than for Unemployment Insurance and Federal Old Age Benefits amounted to $8,753,359 or 5.3¢ of each dollar of merchandise sold.

As required by law, the Company also collected excise and sales taxes amounting to $4,983,942, which were remitted to the proper Federal, state and municipal taxing authorities.

STOCK OWNERSHIP

At the end of the year the common stock of our Company was owned by 8,852 shareholders as compared with 8,880 shareholders on December 31, 1948. Owners of common stock at the end of the year included 1,120 employes of the Company.

INVENTORY

Inventories of merchandise on hand and in transit at the end of the year amounted to $24,787,162, an increase of $1,065,016 or 4.5% over the previous year. In accordance with the established practice of the Company, inventories were valued at cost or market, whichever was lower.

NEW STORES—FUTURE EXPANSION

During the year new stores were opened in the following cities:

PRICHARD, ALA. BREMERTON, WASH.
SAN ANGELO, TEX. SALINAS, CALIF.
SALEM, ORE.

A new store was opened in Greenville, S. C., to replace the store destroyed by fire in 1947.

The stores at St. Petersburg, Fla., and Flores Street, San Antonio, Tex., were enlarged and modernized during the year. The Youngstown, Ohio, store was remodelled and modernized.

A new store is under construction in West Palm Beach, Fla., and is scheduled to open during March 1950. New stores to replace existing units are under construction in Santa Monica, Calif., and Houston, Tex.

Plans for future expansion include the construction of 13 new stores, 3 new buildings to replace existing stores, and the rehabilitation and modernization of other stores. Work on the projects included in the Company's expansion program will be undertaken as rapidly as possible except where, in the opinion of the management, action should be deferred because of high construction costs or other unfavorable factors.

PERSONNEL

On December 31, 1949, 14,109 persons were engaged in full-time positions in our stores and in the buying, clerical and warehouse operations in New York. This compares with 13,783 persons so engaged at the end of the previous year. It is gratifying to note that on December 31, 1949, 1,003 persons had been associated with the Company 10 years or more and that 137 persons had been with the Company 25 years or more.

The officers and directors of our Company continue to devote much thought and effort to employe relations. In addition to maintaining fair wage and salary rates, sick pay benefits, and providing paid vacations ranging from one to four weeks depending on length of service, generous Group Life Insurance and Retirement Pension Plans are provided to assist and encourage employes in planning for the future. As in the past, our Company will continue to emphasize and reward individual initiative and responsibility.

A report on the results for the year would not be complete without special tribute to the thousands of men and women associated with the Company who, by their loyalty and interest, have contributed so much to the Company's success.

By order of the Board of Directors.

Chairman

S. H. KRESS & COMPANY

ACCOUNTANTS' REPORT

PRICE, WATERHOUSE & CO.
56 PINE STREET, NEW YORK 5

January 31, 1950

To the Stockholders of S. H. Kress & Company:

We have examined the statement of financial condition of S. H. Kress & Company as of December 31, 1949 and the related statement of earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of S. H. Kress & Company at December 31, 1949, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price, Waterhouse & Co.

S. H. KRESS & COMPANY

STATEMENT OF EARNINGS

	Year ending December 31, 1949	1948
GROSS SALES	$163,923,437	$165,366,617
Deduct:		
Cost of merchandise sold and operating expenses	$145,704,610	$142,772,692
Provision for depreciation and amortization	2,161,026	2,115,153
Provision for employes' retirement pension plans	500,474	471,796
	$148,366,110	$145,359,641
	$ 15,557,327	$ 20,006,976
Add:		
Rentals received from tenants	$ 425,103	$ 438,857
Interest received (net), etc.	165,774	192,745
	$ 590,877	$ 631,602
	$ 16,148,204	$ 20,638,578
Deduct:		
Provision for Federal income taxes	6,100,000	7,800,000
NET EARNINGS FOR THE YEAR	$ 10,048,204	$ 12,838,578
Deduct:		
Dividends paid (1949—$3.00 per share; 1948—$4.25)	7,055,022	9,994,615
EARNINGS RETAINED FOR USE IN THE BUSINESS	$ 2,993,182	$ 2,843,963

STATEMENT OF FIN

ASSETS

	December 31, 1949	*1948*
CURRENT ASSETS:		
Cash	$14,688,184	$14,058,661
U. S. Government securities, at amortized cost (market value at December 31, 1949 — $12,087,000)	12,057,600	13,568,516
Sundry debtors	185,151	82,547
Inventories of merchandise, including merchandise in transit, at cost or market, whichever is lower	24,787,162	23,722,146
Total current assets	$51,718,097	$51,431,870
OTHER ASSETS:		
Loans and advances to landlords and miscellaneous notes receivable	$ 176,982	$ 181,923
Prepaid insurance premiums, rents, etc.	881,640	711,328
Total other assets	$ 1,058,622	$ 893,251
CAPITAL ASSETS:		
Fixtures and equipment, at cost	$17,987,644	$17,150,170
Less — Provision for depreciation	13,536,672	12,927,013
	$ 4,450,972	$ 4,223,157
Leasehold improvements, at cost	$19,127,203	$17,797,924
Less — Provision for amortization	9,641,292	9,165,260
	$ 9,485,911	$ 8,632,664
Land and buildings owned in fee, at cost in cash and capital stock	$43,290,952	$42,853,958
Less — Provision for depreciation	12,213,910	11,393,104
	$31,077,042	$31,460,854
Total capital assets	$45,013,925	$44,316,675
GOOD-WILL, LEASEHOLDS, ETC.	$ 1	$ 1
	$97,790,645	$96,641,797

ANCIAL CONDITION

LIABILITIES

	December 31, 1949	1948
CURRENT LIABILITIES:		
Accounts payable – trade creditors	$ 581,952	$ 701,087
Accounts payable – merchandise in transit	1,025,729	1,238,348
Accrued salaries, expenses, taxes, etc., including taxes withheld	5,846,049	5,672,848
Provision for Federal taxes on income	7,191,358	8,877,139
Total current liabilities	$14,645,088	$16,489,422
CAPITAL:		
Capital stock:		
Special preferred stock – 6% cumulative – Authorized – 1,000,000 shares of $10 each All issued shares reacquired for treasury		
Common stock without par value – Authorized – 2,678,787 shares Issued – 2,357,574 shares	$48,511,253	$48,511,253
Accumulated earnings retained for use in the business	$34,752,821	$31,759,639
Less – Cost of 5,900 shares of common stock reacquired	118,517	118,517
	$34,634,304	$31,641,122
Total capital stock and accumulated earnings	$83,145,557	$80,152,375

NOTE:
At December 31, 1949, the Company was obligated under 137 leases expiring after December 31, 1952, some of which require, in addition to the minimum rentals now being paid, payments of additional rentals based on sales, and payments of real estate taxes, maintenance and insurance. The aggregate amount charged against operations for the year 1949 under all leases was $2,704,080.

	$97,790,645	$96,641,797

TEN YEAR
COMPARATIVE RECORD OF
SALES, EARNINGS, AND DIVIDENDS

YEAR	NO. OF STORES	SALES	EARNINGS BEFORE FEDERAL INCOME TAXES	FEDERAL INCOME TAXES	NET EARNINGS AFTER FEDERAL INCOME TAXES	NET EARNINGS PER SHARE OF COMMON STOCK	DIVIDENDS PAID PER SHARE	
							COMMON	PREFERRED (*a*)
1940	242	$ 88,299,961	$ 7,055,161	$ 1,716,000	$ 5,339,161	$2.09	$1.60	$ .60
1941	242	101,396,512	10,043,211	4,920,000	5,123,211	1.97	1.60	.67½
1942	244	116,958,589	15,955,862	10,517,000	5,438,862	2.13	1.60	.60
1943	244	124,021,970	17,118,585	11,600,000	5,518,585	2.16	1.60	.60
1944	243	127,955,060	20,034,632	14,300,000	5,734,632	2.25	1.60	.60
1945	244	126,038,945	16,687,280	11,675,000	5,012,280	2.13	1.60	—
1946	242	150,926,508	20,785,531	8,000,000	12,785,531	5.44	4.20	—
1947	243	155,359,900	20,572,077	7,900,000	12,672,077	5.39	3.50	—
1948	250	165,366,617	20,638,578	7,800,000	12,838,578	5.46	4.25	—
1949	256	163,923,437	16,148,204	6,100,000	10,048,204	4.27	3.00	—

(*a*) All issued shares of 6% Special Preferred Stock reacquired in December 1944.

KRESS STORES

ALABAMA (13)
Anniston
Bessemer
Birmingham
Dothan
Ensley
Gadsden
Huntsville
Mobile
Montgomery
No. Birmingham
Prichard
Selma
Tuscaloosa

ARIZONA (5)
Douglas
Nogales
Phoenix
Tucson
Yuma

ARKANSAS (6)
Blytheville
Fort Smith
Helena
Hot Springs
Little Rock
Pine Bluff

CALIFORNIA (44)
Alhambra
Anaheim
Bakersfield
Berkeley
Calexico
El Centro
Eureka
Fresno
Glendale
Huntington Park
Inglewood
Long Beach
Los Angeles (12)
Modesto
Oakland
Pasadena
Pomona
Richmond
Riverside
Sacramento
Salinas
San Bernardino
San Diego
San Fernando
San Francisco (2)
San Jose
San Pedro
Santa Ana
Santa Barbara
Santa Monica
Santa Rosa
Stockton

COLORADO (7)
Boulder
Colorado Springs
Denver
Grand Junction
Greeley
Pueblo
Trinidad

FLORIDA (13)
Daytona Beach
Jacksonville (2)
Key West
Lakeland
Miami
Miami Beach
Orlando
Pensacola
St. Petersburg
Sarasota
Tampa
Ybor City

GEORGIA (14)
Albany
Americus
Athens
Atlanta (2)
Augusta
Brunswick
Columbus
La Grange
Macon
Rome
Savannah
Valdosta
Waycross

HAWAII (4)
Hilo
Honolulu
Lihue
Wailuku

IDAHO (3)
Boise
Idaho Falls
Pocatello

ILLINOIS (2)
Cairo
Rockford

KANSAS (13)
Arkansas City
Chanute
Coffeyville
Emporia
Fort Scott
Hutchinson
Independence
Iola
Lawrence
Parsons
Pittsburg
Salina
Wichita

KENTUCKY (3)
Ashland
Hopkinsville
Winchester

LOUISIANA (6)
Alexandria
Baton Rouge
Lake Charles
Monroe
New Orleans
Shreveport

MISSISSIPPI (8)
Biloxi
Greenville
Hattiesburg
Jackson
Laurel
Meridian
Natchez
Vicksburg

MISSOURI (6)
Carthage
Jefferson City
Moberly
Nevada
Trenton
Webb City

MONTANA (2)
Billings
Great Falls

NEW JERSEY (2)
East Orange
Summit

NEW MEXICO (1)
Albuquerque

NEW YORK (4)
New York City (4)

NORTH CAROLINA (13)
Asheville
Charlotte
Durham
Fayetteville
Gastonia
Goldsboro
Greensboro
High Point
New Bern
Rocky Mount
Salisbury
Wilmington
Winston-Salem

OHIO (1)
Youngstown

OKLAHOMA (15)
Ardmore
Bartlesville
Blackwell
Chickasha
Enid
Guthrie
Lawton
McAlester
Muskogee
Oklahoma City
Okmulgee
Ponca City
Sapulpa
Shawnee
Tulsa

OREGON (2)
Portland
Salem

PENNSYLVANIA (1)
Altoona

SOUTH CAROLINA (7)
Anderson
Charleston
Columbia
Florence
Greenville
Spartanburg
Sumter

TENNESSEE (10)
Bristol
Chattanooga
Elizabethton
Jackson
Johnson City
Kingsport
Knoxville
Memphis
Nashville (2)

TEXAS (36)
Amarillo
Austin
Baytown
Beaumont
Brownsville
Corpus Christi
Corsicana
Dallas (2)
Del Rio
Denison
Eagle Pass
El Paso
Fort Worth
Gainesville
Galveston
Greenville
Harlingen
Hillsboro
Houston (3)
Laredo
Longview
Lubbock
Paris
Port Arthur
San Angelo
San Antonio (2)
Sherman
Texarkana
Tyler
Waco
Waxahachie
Wichita Falls

UTAH (3)
Ogden
Provo
Salt Lake City

VIRGINIA (1)
Roanoke

WASHINGTON (11)
Aberdeen
Bellingham
Bremerton
Everett
Seattle (3)
Spokane
Tacoma
Wenatchee
Yakima

TOTAL – 256 STORES IN 29 STATES AND THE TERRITORY OF HAWAII

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